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C O N F I D E N T I A L SECTION 01 OF 02 BEIJING 001528

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TAGS: [ECON](#) [ENRG](#) [EINV](#) [ETRD](#) [EFIN](#) [PGOV](#) [CH](#)  
SUBJECT: NDRC CHAIRMAN: SENDING A CLEAR MESSAGE ON  
MACROECONOMIC CONTROLS

REF: A. (A) BEIJING 1482

[1](#)B. (B) 06 BEIJING 4374

Classified By: (C) CLASSIFIED BY ECONOMIC SECTION EXTERNAL CHIEF ERIC M  
ADISON; REASONS 1.4 (B) AND (D).

SUMMARY

[1](#)1. (C) National Development and Reform Commission (NDRC)  
Chairman Ma Kai said at a press conference on March 7 that  
the Central Government's macroeconomic control measures aim  
to send a clear message to the provinces to develop in a  
responsible way. Emphasizing the quality of development over  
the quantity, Ma said the NDRC's target of eight percent GDP  
growth in 2007 would ensure continued sound and fast growth.  
Ma expressed disappointment that China did not meet its  
energy efficiency target in 2006, but he said that China's  
Five-Year Plan goal on energy efficiency still would be met.  
Ma referred to regional and urban-rural economic disparities  
as reflective of China's growing pains at this stage of  
development but added that these disparities are a reality  
that the Central Government must address in order to maintain  
social stability. The NDRC Chairman promised China would  
continue economic reforms, echoing Premier Wen Jiabao's  
sentiments in the Government Work Report (Ref A). It seems  
unlikely, however, that GDP growth will slow significantly in  
[1](#)2007. END SUMMARY.

MA'S MESSAGE TO THE PROVINCES: BE "RESPONSIBLE"  
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[1](#)2. (SBU) NDRC Chairman Ma Kai met the press on March 7 at the  
Great Hall of the People during the National People's  
Congress (NPC) to answer questions on the Government Work  
Report (Ref A) and accompanying 2007 Draft Plan for National  
Economic and Social Development. He said that China's GDP  
growth rate of 10.7 percent in 2006 -- the fourth year in a  
row growth exceeded ten percent -- was normal given stable  
prices, rising tax revenue, declining energy consumption, and  
continued investment.

[1](#)3. (SBU) Ma said, however, that the Central Government still  
must resolve many problems, including an inefficient pattern  
of growth, unbalanced economic structure, and excessive  
consumption of resources. As a result, the anticipated  
growth rate target for 2007 would be only eight percent.

Repeating his warning from a March 2006 press conference on the 11th Five-Year Plan (Ref B), Ma said that the government must avoid having all levels of government (from Central down to local) focus exclusively on economic growth statistics.

¶4. (SBU) Instead, Ma said, the NDRC would emphasize the quality of development over the quantity. Ma promoted the slogan of "sound and fast" (you hao you kuai) development, first promulgated during the December 2006 Central Economic Work Conference and included in Premier Wen Jiabao's Work Report, as the government's primary goal. The NDRC wants to send a clear signal to local governments to develop in a responsible way, Ma said.

#### ENERGY EFFICIENCY TARGETS

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¶5. (SBU) Ma expressed disappointment that China did not meet its 2006 target of reducing energy consumption per unit of GDP by four percent. Energy consumption per unit of GDP declined for the first time since 2003 but only by 1.23 percent. China still plans to meet its Five-Year Plan energy efficiency target of reducing energy consumption per unit of GDP by 20 percent between 2006 and 2010, Ma said. According to Ma, the Central Government did not set an annual target for 2007 because government leaders realized that while some energy efficient measures may have an immediate impact, others address long-term needs. The NDRC can still emphasize the importance of meeting the five-year target without setting annual targets, Ma said.

#### MAINTAINING SOCIAL STABILITY DESPITE GROWING PAINS

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¶6. (SBU) Ma characterized the increasing urban-rural and  
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coastal-interior economic disparities as China's natural "growing pains" during the current stage of its economic development. Ma was quick to point out that everyone's standard of living has improved since reform and opening in 1978, but he said addressing the problems related to China's increasing income gaps is a priority for the Central Government. Ma, like Wen Jiabao during his speech on the Government Work Report, emphasized the New Socialist Countryside policy as a means to address the urban-rural income gap and the Western Development Strategy as one of the keys to helping Western China's economy catch up with the coast.

¶7. (SBU) The Central Government will increase social spending during 2007, Ma said, with an emphasis on education, health care, and basic social insurance. Comprehensively addressing these problems would help maintain social stability in low-income areas of the country, Ma said. In addition, providing these benefits reduces the need for precautionary saving and encourages consumption in the countryside.

#### ECONOMIC REFORMS: FULL STEAM AHEAD

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¶8. (SBU) Like Wen on March 5, Ma said that China has no plans to slow the pace of economic reform, and the Central Government must press ahead with its reform agenda. Responding to a journalist's question about price reform, Ma said that he advocates free market pricing and that price reform for oil, natural gas, and water would continue.

#### COMMENT: MA KAI SPEAKS, BUT WHO IS LISTENING?

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¶9. (C) Ma's comments at the press conference illustrate the extent of the Central Government's constant battle with the provinces over economic growth, and his admonishment to the provinces to be responsible and the NDRC's target annual growth attracted significant media attention on March 8. As

long as the political system continues to reward cadres on their growth rate and employment figures, however, local governments have little incentive to change their behavior, and Ma's admonition may fall on deaf ears. END COMMENT.

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